

SPECIAL REPORT: TRADE SECRETS

'I don't think patronage is a dirty word'

Why Chrétien confidant Pat Lavelle owes his career to the prime minister

Export Development Corporation chairman used to oppose free trade

BY JACK AUBRY

TORONTO — The chairman of Canada's secretive Export Development Corporation is a charming Liberal who often brags that he was the first to tell Jean Chrétien that he had the right stuff to be prime minister.

Sixty-year-old executive Patrick Lavelle and several of the agency's board members give the EDC the decided look of a Grit-controlled corporation.

He and EDC president A. Ian Gillespie — the son of a former cabinet minister under Pierre Trudeau — sit at the top of the federal body, which quietly shells out billions of dollars in loans around the world each year, often to the benefit of Liberal-friendly corporations.

While it is true that Mr. Chrétien doled out patronage appointments to most of the political friends who helped get him to 24 Sussex Drive, few have done as well as Mr. Lavelle.

It was in the late 1960s when Mr. Lavelle first told an ambitious Mr. Chrétien that he had a bright future in politics. And 30 years later, the former lobbyist is still being rewarded.

"I say that I am the first, but let's say, to be more humble, I'm among the first," says Mr. Lavelle, who worked for former Liberal senator and cabinet minister Allan MacEachen. "But I knew Jean Chrétien when he became member of parliament (in 1963). His office was across from me."

"So I've known Jean Chrétien a long time and always found him to be a very attractive political guy."

(On the question of whether Mr. Chrétien should run again, Mr. Lavelle is cagey and says it's "the PM's call.")

In 1995, Mr. Lavelle was named chairman of the Federal Business Development Bank, another Crown corporation that hands out billions in loans, now known as the Business Development Bank of Canada — in this case to small Canadian businesses. Then in 1998, he accomplished a rare back-to-back patronage feat with his EDC appointment.

In an interview at his EDC office in Toronto this week, Mr. Lavelle explained that the EDC chairmanship was his first choice when Mr. Chrétien asked him what he would like to do for the government after the Liberal victory in 1993.

But the position was filled at the time by Alexander Stuart of the Electrolyser Corporation Ltd., so Mr. Lavelle instead took on the federal bank until the EDC position came open.

Currently in the last year of his first three-year term at EDC, Mr. Lavelle is expected to be re-appointed to a second term by Mr. Chrétien later this year.

He's an interesting appointment for two reasons: His deep connections in the Liberal party, and the anti-free-trade comments he made in the early 1990s. He acknowledges the liaison role he plays between the EDC and the Liberal government, running board meetings and conferring with ministers before every board meeting.

But Mr. Lavelle claims that he is no longer active as a Liberal and does not advise Mr. Chrétien "on a political basis."

"No, no. When I take on the chair-

Mr. Chrétien's Ontario campaigner, and later during the 1993 election, Mr. Lavelle steered Mr. Chrétien to the position that the deal with the U.S. should be re-

Of course, nothing of the sort occurred after the election.

Mr. Lavelle dismisses his comments about free trade, saying they were made "in a different context."

"When we got into the negotiations of free trade and FTA with the U.S., of course, I was a government minister. The position of the government of Ontario was against the deal," says Mr. Lavelle. "What we did as of the government was to point out the implications of the deal. The government didn't do certain terms of adjustment assistance."

Mr. Lavelle, who earns \$40,000 a year chairing the EDC, says he spends about 10 days a month on EDC business. He says he and its committees meet a total of 10 times — including nine board meetings — in 1999 as the EDC undergoes its five-year review.

He vows that the EDC will remain under his stewardship.

"I have attempted to do as well as I can and live by the code of ethics that I just talked to you about. I am involved in politics and I am doing my best as chairman of a Crown corporation, which has an enormous amount of responsibility, has a very wide responsibility, especially in Canada, and which I felt that I was very well suited to do," says Mr. Lavelle.

He touts the "clean bill of health" the EDC received recently from Auditor General Denis Desautels. He wants to make the secretive corporation transparent.

"In terms of the information we publish, we can do a better job. Our goal is to be more open to the public, to be able to respond to the questions that people ask, and they have a right to know. They are taxpayers."

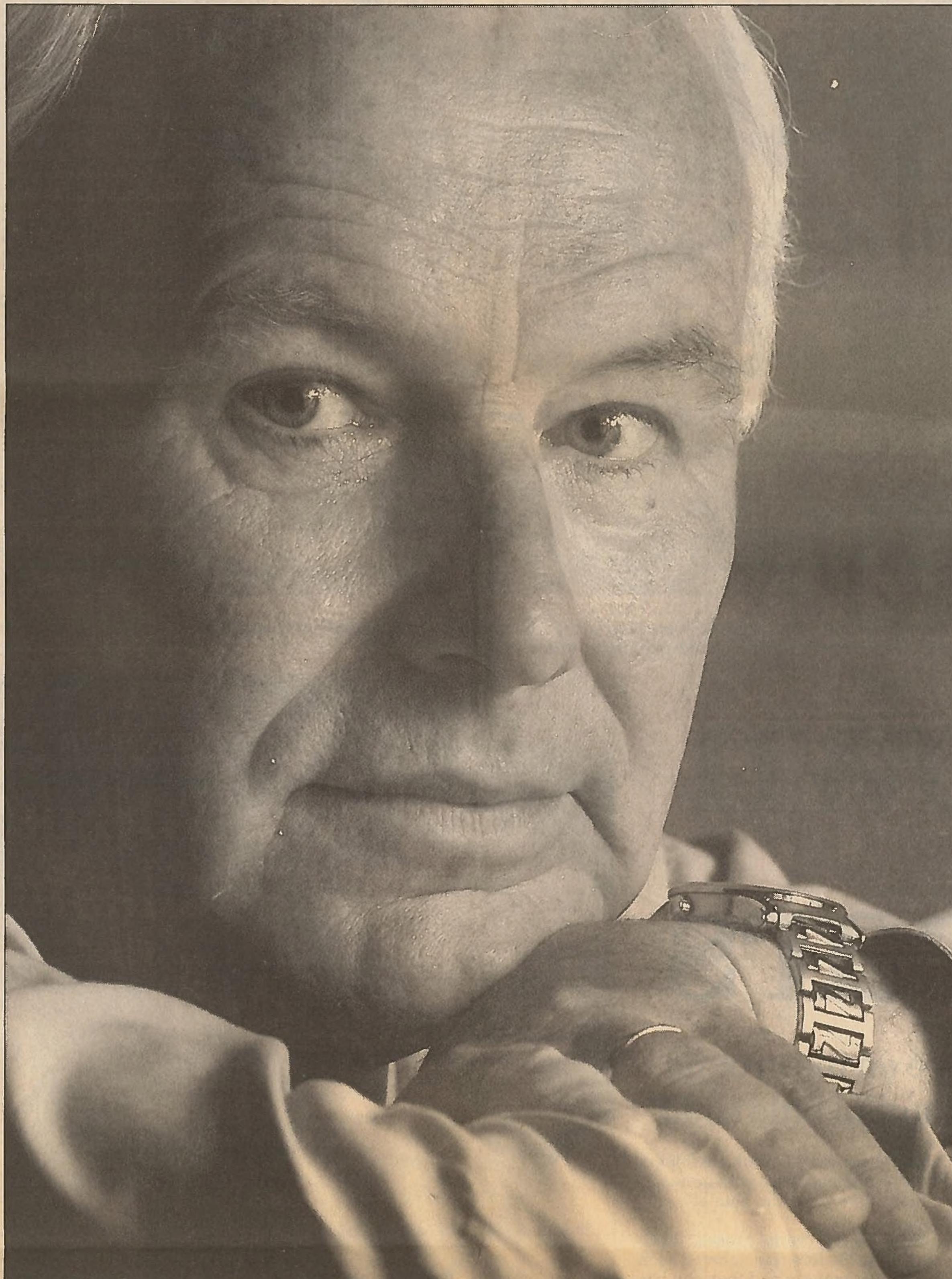
It is very likely Mr. Lavelle will have found a place in Mr. Chrétien's first cabinet had he decided to run in the 1993 election. Mr. Lavelle mentioned frequently in the run-up to the election as a potential appointee, whereby Mr. Chrétien would later declare him the Liberal candidate for Etobicoke-Lakeshore.

But after Mr. Chrétien was criticized by party members for pointing former Toronto MP Jim Eggleton, Mr. Lavelle turned down an offer from Mr. Chrétien to quit the contentious nomination race for the Etobicoke spot.

Mr. Lavelle's appointment to two powerful Crown corporations have been low-key and free of controversy.

"I've never regretted (not running in 1993). No, I was interested in politics, but I think politics is a very, very game, so I have no regrets."

With a passkey to the crown power and his pockets bulging with patronage plums, Mr. Lavelle is looking back.



JOHN LEHMANN, NATIONAL POST

Pat Lavelle's relationship with Jean Chrétien goes back almost 40 years, and it is that loyal friendship with the prime minister that got him where he is, Mr. Lavelle acknowledges. But he says his experience in the corporate world makes him more than qualified to be chairman of the Export Development Corporation.

admits in interviews.

"I don't think patronage is a dirty word or, if I did, I'd be indicting myself ... I've always been a Liberal," Mr. Lavelle told the *Financial Post* last year.

Mr. Lavelle and Mr. Chrétien have been friends almost 40 years, and the prime minister includes him in a tight circle of influential political advisers whom he can count on his fingers.

The long-lasting friendship began when Mr. Lavelle helped Mr. Chrétien, at the time a rookie MP with some unemployment insurance problems in his riding. Mr. Lavelle was considered one of the grand charmers of the inter-governmental circuit who was known for making the first phone call of congratulations.

There is the well-known story of when Mr. Chrétien was appointed Canada's first French-Canadian minister of finance in 1977. Ontario treasurer Darcy McKeough was quickly on the

leader."

There are not many people who could be appointed the head of an export corporation after making strong protectionist statements less than 10 years ago, calling free trade with the Americans "disastrous."

Explaining himself today, Mr. Lavelle says: "I never wanted to consider myself as a protectionist. I'm interested in

international trade."

At a 1990 conference in Toronto, Mr. Lavelle and union leader Buzz Harrold spoke out against free-trade talks with Mexico. Mr. Lavelle said: "It appears we have learned very little as a result of the disastrous outcome of the free-trade negotiations with the United States."

During the 1990 leadership race as